Member of the cooperative financial services network

2009

HALF-YEAR REGULATORY RISK REPORT OF THE DZ BANK BANKING GROUP

DZ BANK
Bank on Germany

CONTENTS

1. BASIS OF REGULATORY RISK REPORTING

1.1. LEGAL BASIS AND IMPLEMENTATION IN THE DZ BANK BANKING GROUP

By making recommendations on capital adequacy (Basel II), the Basel Committee on Banking Supervision has defined internationally accepted standards for the amount of capital that banks need to hold to cover potential risks. The Solvency Regulation (SolvV) has transposed into national law the minimum European capital adequacy standards prescribed in the Banking Directive (2006/48/EC) and the Capital Adequacy Directive (2006/49/EC) as well as the equivalent requirements of Basel II. The Solvency Regulation defines in more detail the capital requirements for institutions prescribed in section 10 of the German Banking Act (KWG).

Since 2007 the DZ BANK banking group has mainly been using the foundation internal ratings-based approach (IRB approach or IRBA) to calculate the regulatory capital requirements for credit risk. The regulatory credit risk measurement methods used by DVB are largely based on the advanced IRB approach. The IRB approach is used to calculate the credit risk of the retail businesses of BSH, DG HYP and TeamBank, although the probability of default (PD) and the loss given default (LGD) are based on accounting estimates. Capital requirements and market risks are mainly measured according to internal calculation models. The Standardized Approach is used for the regulatory estimation of operational risk at the banking group level.

DZ BANK banking group's regulatory risk reporting is published in compliance with section 26a KWG and in conjunction with **section 319 through section 337 SolvV.** In addition, the disclosure recommendations made in the report of the Financial Stability Forum on Enhancing Market and Institutional Resilience on April 7, 2008 (**FSF disclosure recommendations**) with respect to securitizations and leveraged finance are implemented so as to take account of the specific situation of the DZ BANK banking group. Furthermore, DZ BANK fulfils material requirements of the **Principles of Conduct and Best Practice Recommendations** published by the Institute of International Finance in July 2008 by publishing the regulatory half-year risk report for the period ended June 30, 2009 pursuant to the German Commercial Code in conjunction with the risk report included in the group management report of the 2008 annual report and the regulatory risk report for the 2008 financial year.

This disclosure is performed pursuant to section 319 (2) SolvV by DZ BANK as the parent company of the regulatory banking group and is conducted in aggregated form at group level. Under section 312 (1) SolvV, disclosure is required annually. Disclosure requirements are met by DZ BANK for the period ended June 30 each financial year on a voluntary basis.

DZ BANK's external risk reporting is based on the **disclosure policy** adopted by the Board of Managing Directors, which documents principles and fundamental decisions concerning the methods, organizational structures and IT systems used in risk disclosure and how this is embedded in the DZ BANK Group's general financial disclosure and internal risk reporting. By adopting this disclosure policy, the Board of Managing Directors put in place the necessary risk-related disclosure procedures and has communicated them throughout the DZ BANK Group. The disclosure policy is updated as part of the annual review of the adequacy of the DZ BANK Group's risk disclosure procedures, thereby complying with the requirements of section 26a (1) KWG.

The **figures disclosed** in this report relate to the reporting date of June 30, 2009 and are presented in the table formats – the socalled "use cases" – recommended by Deutsche Bundesbank's expert panel on disclosure requirements. The tables' numbering and headings follow these recommendations and are based on the third pillar of Basel II. This ensures that the regulatory risk disclosure procedures used by the DZ BANK banking group meet the relevant international, European and German standards.

Details of the DZ BANK banking group's **risk management system** included in the risk report of the group management report for 2008 and in the regulatory risk report for 2008 are also applicable to the first half of 2009 – with the exception of material changes presented in the interim group management report for 2009. For these reasons, a complete presentation of the risk management systems has not been included in the interim risk reports.

1.2 CONCEPT OF REGULATORY RISK REPORTING

The regulatory capital requirements relate to the following types of risk credit risk (which includes equity risks), market risk and operational risk. In addition to these risk categories, strategic risk and actuarial risk are also backed by economic risk capital as part of the internal economic capital adequacy process under the second pillar of Basel II. Liquidity risk is not backed by any capital.

The regulatory risk report covers the subsidiaries that are consolidated as part of the DZ BANK banking group for regulatory purposes under the German Banking Act. Further risks that arise at subsidiaries consolidated for non-regulatory purposes are disclosed in the financial risk report. This especially relates to the risks to which R+V Versicherung AG, Wiesbaden, is exposed.

In addition, the recognition of certain types of risk differs depending on whether economic risk capital requirements or regulatory requirements are being determined. Actuarial risk and strategic risk are included, therefore, in the calculation of economic risk capital requirements, although they are not backed by capital for regulatory purposes. Market risk in the banking book is also included in the calculation of economic risk capital requirements, whereas it is not included for regulatory purposes.

The lending volume exposures presented in table groups 5, 6, 7, 8 and 9 of this risk report and the allowances for losses on loans and advances are based on measurement methods and carrying amounts of the German Commercial Code (HGB). In the risk report prepared under German commercial law, on the other hand, the presentation of the total volume of loans extended is based on the figures from the Bank's internal management accounts.

When the regulatory capital requirements and the related disclosure requirements are being determined, risk-bearing exposures that are allocated to the trading book are treated differently from those that are allocated to the banking book in terms of the quantification of their risks. For example, the on-balance sheet and off-balance sheet exposures of the banking book and the counterparty risks arising from derivatives ex-

FIGURES IN THE RISK REPORTS BROKEN DOWN BY RISK CATEGORY

Risk types		Regulatory risk report	Commercial-law risk report
Credit risk (including default risk from trading transactions and securitizations)		Lending volumes, regulatory capital requirement, collateral, allowances for losses on loans and advances, loss data	Lending volumes, economic risk capital requirement, collateral for non-performing loans, allowances for losses on loans and advances
Equity risk		Volume of securities in the banking book and conventional investments, regulatory capital requirement	Volume of conventional investments
Market risk	Trading book (including securitizations)	Regulatory capital requirement for each market risk type	Economic risk capital requirement, loss limit, value at risk for total book
	Banking book	Value at risk for interest-rate risk	
Actuarial risk		Not included	Economic risk capital requirement, loss limit
Operational risk		Regulatory capital requirement	Economic risk capital requirement, loss limit
Strategic risk		Not included	Economic risk capital requirement, loss limit

Figure 1

posures of the banking book and trading book are treated as credit risks. The on-balance sheet exposures of the trading book are treated as market risk exposures and are therefore backed with regulatory capital, whereas for internal management purposes they are treated as issuer risks and allocated to credit risks. The different treatment of the trading book and banking book also applies to the disclosure of securitization exposures as part of the overall credit portfolio.

Figure 1 compares the quantitative information disclosed in both the interim regulatory and commercial-law risk reports for the various risk types.

2. SCOPE OF APPLICATION

As part of the DZ BANK financial conglomerate, the DZ BANK banking group is subject to the requirements of section 10b KWG. In this respect it meets the relevant requirements with respect to **financial conglomerates' solvency** and the establishment of an overarching risk management structure.

All companies belonging to the financial conglomerate are integrated into the central risk management system for reasons of materiality pursuant to section 26a (2) number 1 KWG in conjunction with section 320 (1) SolvV. Materiality is determined on the basis of a concept that also applies to risk reporting under the German Commercial Code. The disclosures in this risk report relate to the material companies pursuant to section 26a (2) number 1 KWG. Consequently, the regulatory risk report is consistent with the risk report contained in the group management report, which covers the same companies. The materiality concept does not apply to Table 2b to 2e on the structure of equity, Table 3b to 3e on capital requirements, Table 3f on capital ratios or Table 10b on capital requirements for market risk under the standardized method. All relevant companies consolidated for regulatory purposes are included in these presentations to ensure that the key regulatory figures are consistent with the figures reported.

In **Table 1b:** "Consolidation matrix: differences between companies consolidated for regulatory purposes and those consolidated for the purposes of commercial law" of the use cases (disclosure pursuant to section 323 (1) number 2 SolvV, see Figure 2) the financial conglomerate's companies that are material for internal risk management purposes are classified according to the nature of their business, the nature of their treatment for regulatory purposes and the nature of their consolidation for the purposes of commercial law. These companies are classified on the basis of the definitions contained in section 1 KWG.

The material companies are consolidated for both regulatory and commercial-law purposes. Although R+V is fully consolidated for commercial law purposes, it is not directly subject to banking regulation. Instead, it is factored into the procedure used to determine the DZ BANK banking group's capital adequacy and disclosure requirements pursuant to the German Banking Act and the Solvency Regulation through the risk-weighted carrying amount of DZ BANK's investment in R+V. Furthermore, R+V is included in the regulatory surveillance of the DZ BANK financial conglomerate at consolidated level within the legal framework applicable to financial conglomerates.

There were no subsidiaries in the DZ BANK banking group that had a **capital deficiency** on June 30, 2009. Consequently, no disclosure pursuant to section 323 (2) SolvV (Table 1e of the use cases) is required.

Figure 3 shows how the material group companies are integrated into the quantitative regulatory disclosure procedures of the DZ BANK banking group. These companies are included in such disclosures in a way that reflects any intragroup effects of consolidation. Subgroups are generally reported on a partially consolidated basis.

The following quantitative requirements are not included in the interim disclosure:

TABLE 1B: CONSOLIDATION MATRIX: DIFFERENCES BETWEEN COMPANIES CONSOLIDATED FOR REGULATORY PURPOSES AND THOSE CONSOLIDATED FOR THE PURPOSES OF COMMERCIAL LAW

		Treatment for regulatory purposes				Consolidation under IFRS	
		Consolidation					
Classification	Name (abbreviations)	Full	Pro-rata	Deduction treatment	Risk-weighted investment	Full	Pro-rata
Banks	DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main (DZ BANK)	•				•	
	Bausparkasse Schwäbisch Hall AG, Schwäbisch Hall (BSH)	•				•	
	Deutsche Genossenschafts-Hypothekenbank AG, Hamburg (DG HYP)	•				•	
	DVB Bank SE, Frankfurt am Main (DVB)	•				•	
	DZ BANK International S.A., Luxembourg-Strassen (DZI)	•				•	
	DZ BANK Ireland plc, Dublin (DZ BANK Ireland)	•				•	
	DZ BANK Polska S.A., Warszawa (DZ BANK Polska)	•					
	DZ PRIVATBANK (Schweiz) AG, Zurich (DZ PRIVATBANK Schweiz)	•				•	
	TeamBank AG Nürnberg, Nuremberg (TeamBank)	•				•	
Investment companies	Union Asset Management Holding AG, Frankfurt am Main (Union Asset Management Holding)	•				•	
Financial services institutions	VR-LEASING AG, Eschborn (VR-LEASING)	•				•	
Insurance companies	R+V Versicherung AG, Wiesbaden (R+V)				•	•	

Figure 2

- The information in **Table 6f:** “Estimated and actual losses incurred in lending business” (disclosure pursuant to section 335 (2) number 6 SolvV) cannot be presented in a meaningful way for the interim six-month period because the probabilities of default are estimated annually. Consequently, disclosure is only carried out on an annual basis.

- **Table 8d:** “Alpha factor under section 223 (6) SolvV” (disclosure pursuant to section 326 (2) number 5 SolvV), since no internal DZ BANK banking group models approved by the regulatory authorities are currently being used to calculate regulatory capital requirements for derivative counterparty risk exposures.

- In **Table 9h and 9i:** “Securitizations under the early amortization approach”, disclosure is pursuant to section 334 (2) number 5 SolvV, since no such securitizations are currently being transacted by the group’s companies.

INCLUSION OF COMPANIES IN QUANTITATIVE REGULATORY DISCLOSURE

Companies	Table 2b to 2e Structure of equity	Table 3b to 3e Capital requirements	Table 3f Capital ratios	Table group 4 Lending volumes and allowances for losses on loans and advances	Table group 5 Standardized Approach exposures	Table group 6 IRBA exposures	Table group 7 Credit risk mitigation	Table group 8 Derivative counter-party risk exposures	Table group 9 Securitizations	Table group 13 Equity instruments	Table 14b Interest-rate risk
DZ BANK	•	•	•	•	•	•	•	•	•	•	•
BSH (subgroup)	•	•	•	•	•	•	•	•	•	•	•
DG HYP	•	•	•	•	•	•	•	•	•	•	•
DVB (subgroup)	•	•	•	•	•	•	•	•		•	•
DZI (subgroup)	•	•	•	•	•	•	•	•		•	•
DZ BANK Ireland	•	•	•	•	•	•	•	•	•	•	•
DZ BANK Polska (subgroup)	•	•	•	•							•
DZ PRIVATBANK Schweiz	•	•	•	•							•
TeamBank	•	•	•	•	•	•	•	•		•	•
Union Asset Management Holding (subgroup)	•	•	•								
VR-LEASING (subgroup)	•	•	•	•	•		•	•	•	•	
Other companies of relevance for regulatory purposes	•	•	•	•							
R+V (subgroup)				•							

Figure 3

3. RISK CAPITAL MANAGEMENT

3.1. CAPITAL

(Disclosure pursuant to section 324 SolvV)

Table 2b and 2e (see Figure 4) presents the aggregated capital defined in section 10a KWG. The disclosures relate to all the companies in the DZ BANK banking group that have been consolidated for regulatory purposes as at June 30, 2009. The capital of the DZ BANK banking group is calculated under the aggregation and deduction method pursuant to section 10a (6) KWG.

The write-down deficits and the **losses expected** for IRBA exposures pursuant to section 10 (6a) number 2 KWG, half of which are deducted from Tier 1 capital and half from Tier 2 capital, amounted to €2 million on June 30, 2009.

The **regulatory capital** held by the DZ BANK banking group on the reporting date amounted to €11,195 million. The DZ BANK Group's **aggregate risk cover** for the financial year, which is used for economic capital management purposes and disclosed in the risk report contained in the interim group management report for 2009, amounted to €11,533 million on June 30, 2009.

The objective of both capital concepts is to ensure capital adequacy; in other words, the relevant capital

TABLE 2B TO 2E: STRUCTURE OF EQUITY

€ million	
Equity instruments	**Amount**
Paid-up capital and reserves	4,485
Other Tier 1 capital instruments	2,980
Special provisions for general banking risks pursuant to section 340g HGB	2,208
Deductions from Tier 1 capital pursuant to section 10 (2a) number 2 KWG	-211
Deductions from Tier 1 capital pursuant to section 10 (6) and (6a) KWG	-801
Total Tier 1 capital pursuant to section 10 (2a) KWG	8,661
Total Tier 2 capital before capital deductions pursuant to section 10 (2b) KWG	3,320
Deductions from Tier 2 capital pursuant to section 10 (6) and (6a) KWG	-801
Total Tier 2 capital pursuant to section 10 (2b) KWG	2,519
Eligible Tier 3 capital pursuant to section 10 (2c) KWG	15
Total modified equity available pursuant to section 10 (1d) KWG and eligible Tier 3 capital pursuant to section 10 (2c) KWG	**11,195**

Figure 4

components act as a cushion in case any unexpected losses arise. The regulatory capital of the DZ BANK banking group is derived both from the provisions of the German Banking Act and the requirements of the Basel Committee on Banking Supervision. It is based on the carrying amounts recognized under the German Commercial Code and essentially comprises the capital reported on the balance sheet, hybrid capital instruments, and subordinated liabilities that are modified with respect to various components that are reported on the balance sheet or are relevant for measurement purposes. By contrast, the components of economic capital used to provide aggregate risk cover for the DZ BANK Group are based on International Financial Reporting Standards (IFRS) and include the equity reported on the balance sheet as well as hidden reserves. The various components of R+V's equity are also included in the economic capital used to provide aggregate risk cover.

3.2. CAPITAL REQUIREMENTS

(Disclosure pursuant to section 325 (2) SolvV)

Table 3b to 3e (see Figures 5 and 6) shows the capital adequacy amounts in relation to the risk types of relevance for regulatory purposes (credit risk, market risk and operational risk). These figures relate to all the companies consolidated for regulatory purposes in the DZ BANK banking group.

The difference between the regulatory capital requirements (€8,048 million) and the economic risk capital requirement (€8,970 million) measured on June 30, 2009 and disclosed in the risk report contained in the interim group management report is largely attributable to the fact that internal risk models are used and diversi-

TABLE 3B TO 3E: CAPITAL REQUIREMENTS, PART 1

€ million	Capital requirements
1. Credit risk	
1.1. Standardized Approach to credit risk	
Central governments	9
Regional governments and local authorities	22
Other public-sector entities	2
Multilateral development banks	–
International organizations	–
Institutions	73
Covered bonds issued by banks	6
Corporates	1,058
Retail business	222
Exposures collateralized by real estate	36
Investment fund units	38
Other exposures	96
Past due exposures	74
Total credit risk under the Standardized Approach	1,636
1.2. IRB approaches	
Central governments	40
Institutions	1,013
Corporates	2,029
Retail business	937
of which: mortgage-backed	307
qualified revolving	–
other	630
Other credit-independent assets	124
Total under IRB approaches	4,143
1.3. Securitizations	
Securitizations under the Standardized Approach to credit risk	–
Securitizations under IRB approaches	437
Total securitizations	437

Figure 5

3B TO 3E: CAPITAL REQUIREMENTS, PART 2

€ million **1.4. Investments**	**Capital requirements**
Investments under IRB approaches	52
of which: internal modeling approach	–
PD/LGD approaches	19
simple risk-weighting approach	33
of which: exchange-traded investments	21
investments that are not exchange-traded but form part of a diversified portfolio	1
other investments	11
Investments under the Standardized Approach to credit risk	295
Total investments	347
Total credit risk	**6,563**
2. Market risk	
Standardized Approach	67
of which: interest-rate risk	17
equity price risk	0
currency risk	50
risk from commodities positions	0
other risks	0
Internal modeling approach	970
Total market risk	1,037
3. Operational risk	
Operational risk under the Standardized Approach	448
Total for capital requirements	**8,048**

Figure 6

fication effects between the various risk types are extensively recognized for the purposes of economic risk capital management. This gives rise to a more entity-specific risk measurement than the measurement methods prescribed for regulatory purposes. The two approaches also differ in the weightings they give to collateral and available credit lines.

In addition, actuarial risks and strategic risks are only backed with capital for the purposes of economic risk capital management. The higher figures for economic risk capital with respect to credit risk, market risk and operational risk are also due to the inclusion of R+V, which is not included for regulatory purposes. The fact that the economic risk capital required for credit risks is much lower than the regulatory capital requirements is largely attributable to more conservative assumptions used in the regulatory approaches and to the classification of equity risk as a separate risk type.

3.3. CAPITAL RATIOS

(Disclosure pursuant to section 325 (2) SolvV)

The regulatory capital ratios are shown in **Table 3f** (see Figure 7) and are calculated based on the home-country legal norms applicable to capital requirements pursuant to Basel II. These ratios illustrate the relationship between risk-weighted exposures and the regulatory capital components in the DZ BANK banking group. The figures disclosed for the group companies do not include intra-group effects of consolidation.

The capital ratios for the DZ BANK banking group and the individual group companies as at June 30, 2009 were all well above the minimum ratios of 8.0 percent (total capital ratio) and 4.0 percent (Tier 1 capital ratio) prescribed for regulatory purposes.

As a separate entity, DZ BANK significantly exceeds the legal capital adequacy requirements. This is because DZ BANK is responsible for ensuring capital adequacy for the DZ BANK banking group and the DZ BANK financial conglomerate, as well as ensuring its own capital adequacy as an individual entity. Consequently, measures to strengthen the capital base, which are required to ensure the solvency of the banking group and the financial conglomerate, are under-

TABLE 3F: CAPITAL RATIOS IN THE DZ BANK BANKING GROUP

Companies	**Total capital ratio**	**Tier 1 capital ratio**
DZ BANK banking group	**11.1%**	**8.6%**
DZ BANK	21.2%	11.4%
BSH	33.9%	24.4%
DG HYP	9.3%	6.9%
DVB (banking group)	19.0%	14.4%
DZI	18.7%	17.7%
DZ BANK Ireland	13.2%	9.6%
DZ PRIVATBANK Schweiz	17.2%	17.2%
DZ BANK Polska (banking group)	13.0%	13.0%
TeamBank	12.8%	8.8%

Figure 7

taken by DZ BANK in particular. A further reason why DZ BANK has higher capital ratios than the banking group is that certain equity investments included in the regulatory supervision of the banking group and the financial conglomerate do not need to be deducted under the German Banking Act.

4. CREDIT RISK

4.1. NOTES ON THE REGULATORY DISCLOSURE OF CREDIT RISKS

Chapter 4.2 of this risk report discusses disclosure of the total lending volume. This function is performed by the internal risk reports that are submitted to DZ BANK's Board of Managing Directors, although reference is also made to pertinent disclosures made in the risk report contained in the interim group management report for 2009. By contrast, chapters 4.3 to 4.8 merely disclose portions of the total lending volume auf based on criteria prescribed for regulatory purposes, such as asset classes and risk-weighting bands.

The disclosures on lending volume in the regulatory and commercial-law risk reports differ in terms of the methodology they use in the sense that the internal reports are based on asset values in the form of the basis of measurement before collateral and after deduction of the recognized allowances for losses on loans and advances, whereas in chapters 4.3 to 4.8 the relevant regulatory exposures are reported as the exposures expected at the time of the potential default. In addition, the quantitative disclosures in the two risk reports differ from each other owing to their different recognition of conversion factors for the credit lines granted and outstanding.

The aggregate credit portfolio presented in chapter 4.2 is similar to the aggregated regulatory subportfolios shown in Tables 5b (I), 6d (I), 6d (II), 6d (IV) and 9f. However, the sum totals cannot be fully reconciled to one another owing to the different definitions of key figures and the methods used to recognize collateral. Further discrepancies arise from the different consolidated entities and the different methods used to recognize strategic investments.

The securitization and leveraged finance exposures presented in chapters 4.7 and 4.8 in order to implement the FSF recommendations are contained in the aggregate portfolios presented in table group 4 and in the subportfolios presented in table groups 5, 6 and 9.

4.2. GROSS LENDING VOLUMES AND ALLOWANCES FOR LOSSES ON LOANS AND ADVANCES

Table group 4, which contains multi-approach information on gross lending volumes and allowances for losses on loans and advances, is fully disclosed in the risk report contained in the interim group management report for 2009. The regulatory requirements and the corresponding requirements under IFRS 7 are presented together. To ensure compliance with the IFRS 7 requirements on use of the Management Approach, disclosure of gross lending volumes and allowances for losses on loans and advances is based on the figures used for internal management purposes, which form the basis for reports submitted to the Board of Managing Directors. Basing disclosure on the Management Approach is consistent with section 327 (2) SolvV in conjunction with the reasons given in the Solvency Regulation, under which the lending volume and the companies included may be defined according to the criteria applied internally. Because R+V is of material importance to the DZ BANK financial conglomerate, it is included in the presentation of both the gross lending volume and the allowances for losses on loans and advances.

The use cases in table group 4 are presented as follows in the risk report contained in the interim group management report:

- The information from **Table 4b and 4c:** "Gross lending volumes broken down by main geographical area and asset type" (disclosure pursuant to section 327 (2) numbers 1 and 2 SolvV) is published in the table on lending volumes by country group.
- The information from **Table 4d:** "Gross lending volumes broken down by main industry and asset type" (disclosure pursuant to section 327 (2) number 3 SolvV) is published in the table on lending volumes by industry.
- The information from **Table 4e:** "Contractual residual maturities" (disclosure pursuant to section 327 (2) number 4 SolvV) is disclosed in the table on lending volumes by residual maturity.

– The information from **Table 4f** "Non-performing loans and loans in arrears broken down by main industry" (disclosure pursuant to section 327 (2) number 5 SolvV) is published in the tables on past due but not impaired lending volumes broken down by industry, lending volumes in individually impaired lending volumes broken down by industry, allowances for losses on loans and advances broken down by industry for the period January 1 to June 30, 2009, provisions for loan commitments and liabilities arising from financial guarantee contracts and loan commitments broken down by industry for the period January 1 to June 30, 2009.

– The information from **Table 4g:** "Non-performing loans and loans in arrears broken down by main geographic regions" (disclosure pursuant to section 327 (2) number 5 SolvV) is published in the tables on past due but not impaired lending volumes broken down by country groups, lending volumes in individually impaired lending volumes broken down by country groups, allowances for losses on loans and advances broken down by country groups for the period January 1 to June 30, 2009, provisions for loan commitments and liabilities arising from financial guarantee contracts and loan commitments broken down by country groups for the period January 1 to June 30, 2009.

Because the contents of **Table 4h** "Allowances for losses on loans and advances over time" (disclosure pursuant to section 327 (2) number 6 SolvV) are covered by Tables 4f and 4g, no separate disclosure is provided.

4.3. EXPOSURES UNDER STANDARDIZED APPROACH TO CREDIT RISK

EXPOSURES UNDER THE STANDARDIZED APPROACH TO CREDIT RISK AND EXPOSURE TO INVESTMENTS AND MORTGAGE-BACKED SECURITIES SUBJECT TO THE SIMPLE RISK-WEIGHTING METHOD

(Disclosure pursuant to section 328 (2) and section 329 (2) SolvV)

Table 5b (I) (see Figure 8) shows the exposures assigned to the asset classes under the Standardized Approach to credit risk both including and excluding credit risk mitigation. The Table also shows exposures to IRBA

TABLE 5B (I): EXPOSURES UNDER THE STANDARDIZED APPROACH TO CREDIT RISK AND EXPOSURE TO INVESTMENTS AND MORTGAGE-BACKED SECURITIES SUBJECT TO THE SIMPLE RISK-WEIGHTING METHOD

€ million		Total exposures after credit risk mitigation under the Standardized Approach	
Risk weightings	**Exposures before credit risk mitigation under the Standardized Approach**	**Standardized Approach exposures**	**Total exposures after credit risk mitigation under the IRB approach for investments and mortgage-backed securities under the simple risk-weighting method**
0%	90,662	91,759	
10%	252	252	
20%	4,631	3,851	
35%	345	345	
50%	1,108	1,372	792
75%	3,934	3,649	
100%	17,103	15,682	
150%	643	580	
190%			8
200%	–	–	
290%			89
350%	–	–	
370%			36
1,250%	–	–	
Capital deduction	–	–	
Total	**118,678**	**117,490**	**925**

Figure 8

investments and to mortgage-backed securities, which are calculated under the simple risk-weighting method after credit risks have been mitigated. The classification of transactions in the regulatory risk-weighting categories depends on how the transactions are classified in the regulatory asset classes, on the credit ratings of borrowers and transactions, and on the collateral provided. The sum total of exposures, after credit risks have been mitigated under the Standardized Approach to credit risk, includes IRBA transactions collateralized by guarantees and warranties (provision of personal collateral) whose counterparties are rated under the Standardized Approach to credit risk.

EXPOSURE TO SPECIALIZED FINANCIAL SERVICES SUBJECT TO THE SIMPLE RISK-WEIGHTING METHOD

(Disclosure pursuant to section 329 (1) SolvV)

Table 5b (II) (see Figure 9) shows exposures to specialized financial services subject to the simple risk-weighting method that are broken down by risk weighting.

4.4. EXPOSURES UNDER IRB APPROACH

Tables 6d (I), 6d (II) and 6d (IV) below show the IRBA lending volumes for borrowers and transactions that are classified on the basis of internal credit ratings. The internally used rating systems have been unambiguously assigned to a regulatory asset class. The borrowers and transactions are assigned to a credit rating category based on their individual rating in the form of their specific default probability or expected loss. The transactions are classified as either "investment grade", "non-investment grade" or "default" on the basis of the corresponding default probabilities for each standard group-wide rating category determined by the Group Risk Committee (GRC). The rating categories approved by the Group Risk Committee can be found on page 85 in the risk report of the 2008 group management report.

TABLE 5B (II): EXPOSURES TO SPECIALIZED FINANCIAL SERVICES SUBJECT TO THE SIMPLE RISK-WEIGHTING METHOD

€ million

Risk weightings	Exposures
50%	67
70%	1,015
of which: with a residual maturity of less than 2.5 years	222
90%	731
115%	636
250%	–
0% (default)	42
Total	**2,491**

Figure 9

LENDING VOLUMES BROKEN DOWN BY PROBABILITY OF DEFAULT (PD) CATEGORY (EXCLUDING RETAIL) UNDER THE FOUNDATION IRB APPROACH

(Disclosure pursuant to section 335 (2) numbers 1, 2a and 2c SolvV)

Table 6d (I) (see Figure 10) discloses the following key figures:

– the total exposures and, in particular, the exposures relating to unutilized loan commitments
– the average risk weightings that have been weighted according to their exposures.

The disclosures are based on the IRBA asset classes (central governments, institutions, corporates and investments) and are broken down by risk category. The exposures incurred by outstanding credit lines are calculated by applying the credit conversion factors to the carrying amount. The average risk weightings reveal borrowers' credit ratings and the extent to which transactions are collateralized.

LENDING VOLUMES BROKEN DOWN BY PROBABILITY OF DEFAULT (PD) CATEGORY (EXCLUDING RETAIL) UNDER THE ADVANCED IRB APPROACH

(Disclosure pursuant to section 335 (2) numbers 1 and 2 SolvV)

Table 6d (II) (see Figure 11) comprises the following disclosures:

– the sum total of unutilized loan commitments, which is presented as the carrying amount of open loan commitments shown on the balance sheet
– the total exposures and, in particular, the exposures relating to unutilized loan commitments
– the average exposures incurred by open loan commitments
– the average risk weightings that have been weighted according to their exposures
– the average loss given default.

The disclosures are again broken down according to the IRBA asset classes and risk categories listed above.

TABLE 6D (I): LENDING VOLUMES BROKEN DOWN BY PD CATEGORY (EXCLUDING RETAIL) UNDER THE FOUNDATION IRB APPROACH

€ million	Investment Grade (PD: 0.00% – 0.50% p.a.)			Non-Investment Grade (PD: (0.51% – 20.00% p.a.)			Default (PD: 20.01% – 100.00% p.a.)			Total		
	Exposure			Exposure			Exposure			Exposure		
Asset classes	**Total**	**Of which: open loan commitments**	**Average risk weighting**	**Total**	**Of which: open loan commitments**	**Average risk weighting**	**Total**	**Of which: open loan commitments**	**Average risk weighting**	**Total**	**Of which: open loan commitments**	**Average risk weighting**
Central governments	2,817	85	9.4%	430	7	55.9%	25	–	0.0%	3,271	92	15.5%
Institutions	51,075	1,056	22.6%	1,114	25	100.2%	814	–	0.0%	53,002	1,081	23.9%
Corporates	18,178	5,022	48.9%	10,197	1,471	105.1%	1,959	123	0.0%	30,334	6,615	64.6%
of which: SMEs[1]	–	–	–	–	–	–	–	–	–	–	–	–
of which: specialized financial services	3,832	1,075	42.5%	1,302	137	98.6%	101	15	0.0%	5,236	1,227	55.6%
of which: purchased receivables	83	–	53.6%	106	–	107.5%	15	–	0.0%	204	–	77.8%
Investment exposures	310		74.4%	3		365.7%	–		–	313		76.9%
Total	**72,380**	6,163		**11,744**	1,503		**2,798**	123		**86,920**	7,788	

1 SMEs = small and medium-sized enterprises

Figure 10

The Basel capital requirements for Table 6d (III) "Unutilized loan commitments and risk-weighted exposures for each portfolio under the advanced IRB approach" are covered by Table 6d (II) pursuant to section 335 (2) number 2d SolvV. Table 6d (III) is therefore not disclosed separately.

LOAN DRAWDOWNS AND LOAN COMMITMENTS FOR RETAIL PORTFOLIOS: RETAIL IRB APPROACH BASED ON EXPECTED LOSSES (EL)

(Disclosure pursuant to section 335 (2) numbers 2 and 3 SolvV)

Table 6d (IV) (see Figure 12) shows the total exposure of the EL-based retail IRB approach for the IRBA retail business asset class, broken down according to the different risk categories. The EL categories reflect the range of the expected loss (EL) in basis points (bp).

ACTUAL LOSSES INCURRED IN LENDING BUSINESS

(Disclosure pursuant to section 335 (2) numbers 4 and 5 SolvV)

The information given in **Table 6e** (see Figure 13) relates to the asset classes of central governments, institutions, corporates (including small and medium-sized enterprises, specialized financial services and purchased receivables that are treated as corporate assets), investments that are backed by capital using individual probabilities of default (PD/LGD approaches) and retail business (broken down into mortgage-backed IRBA exposures, qualified revolving IRBA exposures and other IRBA exposures).

Calculations of the losses presented in Table 6e are based on the carrying amounts recognized under the German Commercial Code. Market-price-related impairment losses on securities portfolios and investments not managed according to their default probabilities are not shown. The information disclosed in the regulatory risk report takes account of the allowances for losses on loans and advances and the loan-loss provisions reported on page 33 et seq. in the risk report of the interim group management report for 2009 as described below:

– Additions of €439 million to impairment losses (including specific loan loss allowances measured on a group basis) are offset against reversals of such losses in the amount of €-246 million for the first six months of the financial year.
– In addition, a provision is recognized for the difference between direct impairment losses (€52 million) and amounts received for directly impaired assets (€-10 million) during the reporting period.
– Finally, additions of €35 million to provisions for losses on loans and advances are offset against reversals of €-8 million.

The sum total of these components constitutes the actual loss incurred by the aggregate portfolio, which was found to amount to €262 million for the first half of the financial year. However, an actual loss of €215 million was calculated for the IRBA subportfolios shown in Table 6e for the reporting period. The difference of €47 million between the two losses is attributable to the Standardized Approach portfolios held by the DZ BANK banking group. The losses sustained have risen considerably compared to the corresponding period last year as a result of the impact of the financial crisis.

TABLE 6D (II): LENDING VOLUMES BROKEN DOWN BY PD CATEGORY (EXCLUDING RETAIL) UNDER THE ADVANCED IRB APPROACH

€ million	Investment Grade (PD: 0.00% – 0.50% p.a.)						Non-Investment Grade (PD: 0.51% – 20.00% p.a.)					
		Exposure						Exposure				
Asset classes	Total amount of open loan commitments	Total	Of which: open loan commitments	Average exposure	Average LGD	Average risk weighting	Total amount of open loan commitments	Total	Of which: open loan commitments	Average exposure	Average LGD	Average risk weighting
Central governments	–	–	–	–	–	–	–	–	–	–	–	–
Institutions	–	–	–	–	–	–	–	–	–	–	–	–
Corporates	356	2,666	356	100	10%	13.8%	2,194	13,656	2,194	100.0%	5.3%	21.1%
of which: SMEs	–	–	–	–	–	–	–	–	–	–	–	–
of which: specialized financial services	–	–	–	–	–	–	–	–	–	–	–	–
of which: purchased receivables	–	–	–	–	–	–	–	–	–	–	–	–
Investment exposures	–	–	–	–	–	–	–	–	–	–	–	–
Total	**356**	**2,666**	**356**				**2,194**	**13,656**	**2,194**			

Figure 11

TABLE 6D (IV): LOAN UTILIZATIONS AND LOAN COMMITMENTS FOR RETAIL PORTFOLIOS – EL-BASED RETAIL IRB APPROACH

€ million Asset classes	Exposure EL class 1 (EL = 0 to 30 bp)	Exposure EL class 2 (EL = 31 to 70 bp)	Exposure EL class 3 (EL > 70 bp)	Total
Mortgage-backed IRBA receivables from retail business	21,753	2,432	4,124	28,309
Qualified revolving IRBA receivables from retail business	–	–	–	–
Other IRBA receivables from retail business	6,627	1,462	3,281	11,370
Total	**28,380**	**3,894**	**7,405**	**39,679**

Figure 12

	Default (PD: 20.01% – 100.00% p.a.)						Total					
		Exposure						Exposure				
	Total amount of open loan commitments	Total	Of which: open loan commitments	Average exposure	Average LGD	Average risk weighting	Total amount of open loan commitments	Total	Of which: open loan commitments	Average exposure	Average LGD	Average risk weighting
	–	–	–	–	–	–	–	–	–	–	–	–
	–	–	–	–	–	–	–	–	–	–	–	–
	10	428	10	100.0%	15.1%	0.0%	2,561	16,750	2,561	100.0%	6.3%	19.4%
	–	–	–	–	–	–	–	–	–	–	–	–
	–	–	–	–	–	–	–	–	–	–	–	–
	–	–	–	–	–	–	–	–	–	–	–	–
	–	–	–	–	–	–	–	–	–	–	–	–
Total	10	428	10				2,561	16,750	2,561			

TABLE 6E: ACTUAL LOSSES IN LENDING BUSINESS

€ million Asset classes	Losses incurred between Jan. 1 and Jun. 30, 2009	Losses incurred between Jan. 1 and Jun. 30, 2008	Changes to asset classes
Central governments	–	–	–
Institutions	14	–	14
Corporates	104	37	67
Equity instruments	–	–	–
Mortgage-backed IRBA receivables from retail business	35	39	-4
Qualified revolving IRBA receivables from retail business	–	–	–
Other IRBA receivables from retail business	35	37	-2
Total	**188**	**113**	**75**

Figure 13

4.5. COLLATERALIZED EXPOSURES

NOTES ON COLLATERALIZED EXPOSURES

Tables 7b and 7c cover the volume of assets – broken down into the IRB approaches and the Standardized Approach to credit risk – which is backed by collateral that is risk-weighted for regulatory purposes. The volume of business generated by the collateralized transactions is shown in Table 5b (I) and in table group 6 of this risk report. The collateralization effect of the guarantees provided by counterparties under the Standardized Approach to credit risk is illustrated in Table 5b (I), which shows the shift in lending volumes from higher to lower risk weightings between the table columns that present the total exposures both before and after the credit risk had been mitigated under the Standardized Approach. Under the IRB approaches, most of the collateral shown in the table – especially mortgages – is included in the calculation of capital requirements in the form of the loss given default (LGD).

COLLATERALIZED EXPOSURES UNDER THE STANDARDIZED APPROACH TO CREDIT RISK (EXCLUDING SECURITIZATIONS)

(Disclosure pursuant to section 336 number 2 SolvV)

Table 7b (see Figure 14) shows the exposures, broken down by asset class under the Standardized Approach to credit risk, that are backed by financial collateral or guarantees. The mitigation of credit risk is presented in each case together with the exposures that are risk-weighted for regulatory purposes.

COLLATERALIZED EXPOSURES UNDER THE IRB APPROACHES (EXCLUDING SECURITIZATIONS)

(Disclosure pursuant to section 336 number 2 SolvV)

Table 7c (see Figure 15) shows the exposures, broken down by IRBA asset class, that are backed by financial collateral, other IRBA collateral (real estate, equipment, etc.) or guarantees. The mitigation of credit risk is presented in each case together with the exposures that are risk-weighted for regulatory purposes. For certain IRBA assets belonging to BSH, DG HYP or DVB, the mortgage-related or real-estate collateral recognized for credit risk mitigation purposes is included in the calculation of capital requirements as the loss given default. The table shows the collateralized exposure for these transactions.

TABLE 7B: COLLATERALIZED EXPOSURES UNDER THE STANDARDIZED APPROACH TO CREDIT RISK (EXCLUDING SECURITIZATIONS)

€ million **Asset classes**	**Financial collateral**	**Guarantees**
Central governments	2,962	–
Regional governments and local authorities	–	–
Other public-sector entities	–	145
Multilateral development banks	–	–
International organizations	–	–
Institutions	1,914	11
Covered bonds issued by banks	–	–
Corporates	1,136	1,758
Retail business	–	275
Exposures collateralized by real estate	–	–
Investment fund units	–	–
Investments	–	–
Other exposures	–	–
Past due exposures	–	18
Total	**6,012**	**2,207**

Figure 14

4.6. COUNTERPARTY RISK EXPOSURES TO DERIVATIVES IN THE BANKING BOOK AND TRADING BOOK

(Disclosure pursuant to section 326 SolvV)

Table 8b (I) (see Figure 16) shows the counterparty risk exposures to derivatives in the banking book and trading book in the form of positive fair values before and after the risk-weighting of offsetting derivatives exposures and collateral. The counterparty risk arising from derivatives is also broken down into the various types of contract.

The table contains the aggregated counterparty risk exposures to derivatives in the banking book and trading book, which are already disclosed for each regulatory subportfolio level in Tables 5b (I), 6d (I), 6d (II) and 6d (IV). The exposures that are processed directly via a risk-free central counterparty (clearing house) are not included in Table 8b (I). This table there-fore shows over-the-counter (OTC) derivatives as well as derivatives that are traded via an intermediary – such as a broker – and listed on a stock exchange. All derivatives exposures arising from securitizations are disclosed in Table 9f.

TABLE 7C: COLLATERALIZED EXPOSURES UNDER THE IRB APPROACH (EXCLUDING SECURITIZATIONS)

€ million **Asset classes**	**Financial collateral**	**Other collateral**	**Guarantees**
Corporates	1,021	18,635	2,315
Institutions	5,147	225	370
Central governments	2,098	2	285
Retail business	–	24,136	790
of which: mortgage-backed	–	24,136	790
qualified revolving	–	–	–
other	–	–	–
Investments	–	–	–
of which: simple risk-weighting approach	–	–	–
internal modeling approach	–	–	–
PD/LGD approaches	–	–	–
Other credit-independent assets	–	–	–
Total	**8,266**	**42,998**	**3,760**

Figure 15

TABLE 8B (I): COUNTERPARTY RISK EXPOSURES TO DERIVATIVES INCLUDING
AND EXCLUDING OFFSETTING AGREEMENTS AND COLLATERAL

€ million **Types of contract**	**Positive replacement values excluding offsetting and collateral**	**Possibilities for offsetting**	**Eligible collateral**	**Positive replacement values including offsetting and collateral**
Interest-related contracts	21,255			
Currency-related contracts	2,324			
Equity- and index-related contracts	2,321			
Credit derivatives	2,588			
Commodity-related contracts	27			
Other contracts	–			
Total	**28,515**	**23,991**	**2,125**	**2,399**

Figure 16

TABLE 8B (II): WEIGHTED COUNTERPARTY RISK IN RELATION TO COUNTERPARTY RISK EXPOSURES TO DERIVATIVES
AND BROKEN DOWN BY THE APPROACH USED

€ million	**Exposure under the original-maturity method**	**Exposure under the mark-to-market method**	**Exposure under the standardized method**	**Exposure under the internal model**
Counterparty risk exposure	–	**13,051**	–	–

Figure 17

TABLE 8C: NOTIONAL AMOUNTS OF CREDIT DERIVATIVES BROKEN DOWN BY TYPE OF USE

€ million	Notional amount arising from use for own credit portfolio	
Credit derivatives	**Bought**	**Sold**
Credit default swaps	46,952	51,796
Total return swaps	5,204	354
Credit-linked notes	965	3,532
Other	–	–
Total	**53,121**	**55,682**

Figure 18

Table 8b (II) (see Figure 17) shows the weighted counterparty risk in the form of the measurement basis for the Standardized Approach to credit risk and for the IRB approaches in relation to the counterparty risk exposures to derivatives presented in Table 8b (I). The dis-closure is broken down according to the regulatory mark-to-market method (which is used in the DZ BANK banking group by all trading book institutions and some non-trading book institutions) and according to the original-maturity method, which is used by the remaining non-trading book institutions.

Table 8b (III) shows the notional amount of credit derivatives risk-weighted for regulatory purposes and used to hedge counterparty risk exposures to derivatives. This notional amount was €1,115 million on June 30, 2009.

Table 8c (see Figure 18) shows the notional amounts of credit derivatives bought and sold, which are categorized by the type of derivative. No credit derivatives from the DZ BANK Group companies' intermediary operations were held on June 30, 2009.

4.7. ASSET SECURITIZATION

4.7.1. Objectives and scope of securitization

(Disclosure pursuant to section 334 (1) SolvV and FSF recommendations)

The DZ BANK banking group uses securitization as a credit portfolio management tool and to optimize its risk/return profile. By originating securitizations that are funded over the long term, DZ BANK aims to free up economic and regulatory capital by transferring risk. As an originator and sponsor, the Bank also uses special-purpose entities (known as conduits) that are refinanced by the issuance of money market-linked asset-backed commercial paper (ABCP). These conduits are predominantly made available to DZ BANK customers who then securitize their own assets by using these companies.

Figure 19 shows the main exposures held by the companies in the DZ BANK banking group as **originator** and **sponsor** on June 30, 2009. The information disclosed here covers all securitizations in the DZ BANK banking group, including those that are not included as securitizations in the Group's capital requirements.

In addition to these activities, DZ BANK **arranges** and **distributes** securitizations issued by the DZ BANK banking group and the cooperative financial services network. The local cooperative banks are involved in the form of multiseller transactions for the DZ BANK banking group. DZ BANK also arranges the VR Circle transactions that are used to share credit risk between the local cooperative banks involved.

4.7.2. Securitization of the DZ BANK banking group's own assets

TOTAL AMOUNT OF SECURITIZED ASSETS
(Disclosure pursuant to section 334 (2) number 1 SolvV)

Table 9d (see Figure 20) shows the total amount of originated securitizations whose underlying transactions are kept on the books of the DZ BANK banking group. The securitizations shown here are all synthetic; there are no conventional securitizations (also known as true-sale securitizations).

SECURITIZATION EXPOSURES OF THE COMPANIES IN THE DZ BANK BANKING GROUP IN THEIR CAPACITY AS ORIGINATORS AND SPONSORS

Company & transaction	Type of transaction	Role	Purpose of transaction	Type of assets	Volumes[1]	Retained exposures	Comments
DZ BANK							
DYNASO	Synthetic CDO[3]	Originator	Issuing activity	AAA/AA CLN[4] on portfolio of corporate assets	€0.4 billion	Exposure of €142 million in the Group's own portfolio	–
CORAL	ABCP-Conduit		Generation of commission income	Loans and advances to European corporates and an ABS[5] exposure	€0.8 billion	Commitments of €1 billion, €0.8 billion of which has been utilized	Provision of liquidity lines
AUTOBAHN		Sponsor	Generation of commission income	Loans and advances to North American customers	€1.8 billion	Unutilized commitments of €2.2 billion	
Dritt-Conduits			Generation of commission income	Lease and trade receivables	€0.15 billion	Commitments of €0.15 billion, €0.1 billion of which has been utilized	
DG HYP							
BAUHAUS	Synthetic securitization	Originator	Capital and liquidity management; transfer of risk	Mortgage-backed real-estate loans in German retail business	€0.2 billion	First-loss piece amounting to €13.1 million	First-loss piece fully hedged by third parties
PROVIDE VR					€0.6 billion	–	First-loss piece sold
PROSCORE VR				Mortgage-backed real-estate loans to corporates in Germany	€0.3 billion	First-loss piece amounting to €13.1 million	First-loss piece not hedged; specific loan loss allowance of €9.6 million recognized
VR-LEASING							
LEAGUE	Synthetic securitization	Originator	Capital and liquidity management; transfer of risk	Lease receivables from corporates in Germany	€0.3 billion	Credit enhancements amounting to €40.8 million	Non-recourse sale to DZ BANK for securitization purposes
CORAL[2]	Lease securitization	Originator		Lease receivables from corporates in Germany	€0.4 billion	Credit enhancements amounting to €14.3 million	Credit enhancements not hedged

Figure 19

1 Disclosures before consolidation
2 Contained in DZ BANK's CORAL transaction
3 CDO = Collateralized Debt Obligation
4 CLN = Credit-Linked Note
5 ABS = Asset-Backed Security

TABLE 9D: TOTAL AMOUNT OF ASSET SECURITIZATIONS

€ million **Asset classes**	**Carrying amount of synthetic securitizations**
Receivables from home loans	782
Receivables from wholly or partially commercial real-estate loans	305
Loans and advances to corporates (including small and medium-sized enterprises)	–
Receivables from the Bank's own and purchased leased assets	700
Receivables from vehicle finance (excluding leases)	–
Receivables from other retail business	–
Receivables from CDOs [1] and ABSs [2]	–
Total	**1,787**

1 CDOs = collateralized debt obligations
2 ABSs = asset-backed securities

Figure 20

TABLE 9E: IMPAIRED SECURITIZATIONS, SECURITIZATIONS IN ARREARS, AND LOSSES REALIZED DURING THE REPORTING PERIOD

€ million **Asset classes**	**Past due and non-performing securiti-zations**	**Losses during the reporting period**
Receivables from home loans	6	–
Receivables from wholly or partially commercial real-estate loans	50	5
Loans and advances to corporates (including small and medium-sized enterprises)	–	–
Receivables from the Bank's own and purchased leased assets	–	–
Receivables from vehicle finance (excluding leases)	–	–
Receivables from other retail business	–	–
Receivables from CDOs and ABSs	–	–
Total	**56**	**5**

Figure 21

IMPAIRED SECURITIZATIONS, SECURITIZATIONS IN ARREARS, AND LOSSES REALIZED DURING THE REPORTING PERIOD

(Disclosure pursuant to section 334 (2) number 2 SolvV)

Referring to the receivables and assets presented in Table 9d in the context of non-performing securitization exposures, **Table 9e** (see Figure 21) shows the portions of the Group's own asset securitizations that are past due or at risk of default. These have been differentiated according to the type of securitization. The table also shows the losses incurred over the first half of the financial year as a result of these exposures. The definition of "loss" here corresponds to the definition used for Table 6e.

SECURITIZATIONS TRANSACTED DURING THE REPORTING PERIOD

(Disclosure pursuant to section 334 (2) number 6 SolvV)

In 2009 the Group incorporated its own leased assets and purchased leased assets worth €167 million into securitizations, as shown in **Table 9j** of the use cases. No gains or losses were realized on these transactions.

4.7.3. Securitization exposures of the banking group portfolio

(Disclosure pursuant to FSF recommendations)

The remaining **volume of securitizations** at risk in the books of the DZ BANK banking group amounted to €18.3 billion on June 30, 2009. This amount had been reduced by €1.8 billion since December 31, 2008, partly as a result of repayments. The Group also had receivables of €4.2 billion from special-purpose entities, most of which were owed by affiliated ABCP conduits. Given that the DZ BANK banking group's total lending volume amounts to €330.5 billion, its securitization exposures of €22.6 billion constitute a significant subportfolio that is actively managed. The portfolio information presented in figures 22 to 26 is based on the market-related fair value of exposures at the relevant reporting date.

CHANGES IN THE COMPOSITION AND VALUE OF THE SECURITIZATION PORTFOLIO

€ million **Asset classes**	**Fair value on Jan. 1, 2009 before changes in composition and value**	Changes in composition due to purchases, sales, redemptions and exchange-rate fluctuations	Changes in value	**Fair value on Jun. 30, 2009 after changes in composition and value**
Receivables from retail credits	13,523	-962	-386	12,175
of which: RMBSs[1]	12,671	-762	-393	11,516
of which: assets classified as subprime	1,926	-55	-253	1,618
of which: assets classified as Alt-A	530	-47	-124	359
Receivables from corporate credits[2]	1,157	-192	-9	956
Receivables from CMBSs[3]	3,163	-29	-34	3,226
Receivables from CDOs	2,238	-116	-173	1,949
Exposures to conduits[4]	4,327	-107	27	4,245
Total	**24,408**	-1,350	-507	**22,551**

1 RMBSs = residential mortgage-backed securities
2 Including receivables from purchased leased assets with a fair value of €468 million on Jan. 1, 2008 and of €363 million on Dec. 31, 2008
3 CMBSs = commercial mortgage-backed securities
4 Including reported receivables from conduits, especially ABCP conduits, and liquidity facilities provided for ABCP conduits, excluding conduit derivatives

Figure 22

The protection facility offered by the Bundesverband der Deutschen Volksbanken und Raiffeisenbanken e.V. (BVR) used a guarantee to insure securities portfolios worth a nominal €1.1 billion that are held by the DZ BANK banking group against default. The DZ BANK banking group continues to underwrite the credit risk of an adequate first loss piece for the guaranteed securitization exposures. The exposures concerned are presented in the figures listed above according to their fair values, without consideration for the hedging effect. They are recognized with a zero weighting in the regulatory capital requirements and therefore help free up regulatory capital.

Residential mortgage-backed securities (RMBSs) accounted for 63 percent of investor-related exposures on June 30, 2009. Figure 22 shows the changes in the value of this portfolio as a result of **value adjustments** and changes to the composition of the portfolio over the course of the financial year. The portfolio lost €507 million in value as a result of the ongoing market turmoil between January 1 and June 30, 2009. As things stand, these value adjustments largely constitute fluctuations in market value that can recover by the time the securitization exposures reach their maturity date.

Figures 23 and 24 show the Group's securitization exposures broken down by their external **credit rating,** as awarded by recognized rating agencies, and by their **region of origin.** The most conservative credit scores of the credit rating agencies approved by section 41 SolvV are used to establish external credit ratings. Despite the downgrades seen over the past months, the credit quality of the DZ BANK banking group's portfolio was still rated either 'good' or 'very good' as at June 30, 2009. The vast majority of its securitization exposures continued to be classified in its top internal rating category (GRC rating group I), as they had been at the end of 2008. At the reporting date the Group held €1.5 billion worth of mortgage-backed real-estate loans that were classified in the US subprime segment. Value adjustments of €253 million were recognized on subprime exposures in the first half of 2009. The "not rated" category comprises synthetic portfolio purchases amounting to €82 million that do not have an external credit rating and which have accounts receivable from UK and Irish debtors.

CREDIT QUALITY OF THE SECURITIZATION PORTFOLIO

€ million **Asset classes**	AAA	AA+ to AA-	A+ to A-	BBB+ to B-	CCC+ to C-	Not rated	Total
Receivables from retail credits	8,555	1,432	552	698	837	101	12,175
of which: RMBSs	7,963	1,400	530	685	837	101	11,516
of which: assets classified as subprime	108	377	121	363	649	–	1,618
of which: assets classified as Alt-A	10	45	14	120	170	–	359
Receivables from corporate credits[1]	753	50	53	100	–	–	956
Receivables from CMBSs	2,352	364	272	234	–	4	3,226
Receivables from CDOs	1,384	178	100	176	54	57	1,949
Exposures to conduits[2]	826	703	1,756	819	19	122	4,245
Total	13,870	2,727	2,733	2,027	910	284	22,551

1 Including receivables from purchased leased assets amounting to €363 million
2 Including reported receivables from conduits, especially ABCP conduits, and liquidity facilities provided for ABCP conduits, excluding conduit derivatives

Figure 23

GEOGRAPHICAL COMPOSITION OF THE SECURITIZATION PORTFOLIO BROKEN DOWN BY COUNTRY OF UNDERLYING ASSET

€ million **Asset classes**	Germany	United Kingdom and Ireland	Spain	Nether-lands	Italy	Rest of EU	United States	Australia	Other countries	Total
Receivables from retail credits	129	2,152	2,431	1,563	933	957	2,271	1,543	196	12,175
of which: RMBSs	83	2,145	2,288	1,534	796	911	2,089	1,504	166	11,516
of which: assets classified as subprime	–	63	–	3	–	3	1,549	–	–	1,618
of which: assets classified as Alt-A	–	–	–	–	–	–	359	–	–	359
Receivables from corporate credits[1]	161	21	111	25	373	127	–	37	101	956
Receivables from CMBSs	265	787	84	137	133	340	1,142	150	188	3,226
Receivables from CDOs	7	6	15	16	61	432	1,332	68	12	1,949
Exposures to conduits[2]	1,072	–	–	–	–	1	2,989	–	184	4,245
Summe	1,634	2,966	2,641	1,741	1,500	1,857	7,733	1,798	681	22,551

1 Including receivables from purchased leased assets amounting to €363 million
2 Including reported receivables from conduits, especially ABCP conduits, and liquidity facilities provided for ABCP conduits, excluding conduit derivatives

Figure 24

Fifty-four percent of the borrowers in the aggregate portfolio come from European countries, especially the United Kingdom, Ireland, Spain, the Netherlands and Germany. Thirty-five percent of the borrowers are domiciled in the US. Credit default insurance has been provided for the underlying transactions of almost all RMBS receivables based in Australia.

Figure 25 shows the securitization exposures in the CDO product category as at June 30, 2009, most of which were also rated as having a good or very good credit quality. Figure 26 shows the receivables in the Group's subprime portfolio, broken down by the year in which the transactions were originally issued. Figure 27 shows the credit default insurance obtained from monoliners for securitizations, especially RMBS securities.

4.7.4. Securitization exposures of the banking book

RETAINED AND PURCHASED SECURITIZATION EXPOSURES

(Disclosure pursuant to section 334 (2) number 3 SolvV)

Table 9f (see Figure 28) shows the securitization exposures retained or purchased by the companies of the DZ BANK banking group in their capacity as originator, sponsor or investor, broken down by the type of underlying receivable in each case. The securitization exposures are recognized at their carrying amounts. The classification of the underlying receivables is based on the categories used for internal management purposes.

The securitization exposures were recognized for the most part according to the IRB approach as at June 30, 2009, while both the Standardized Approach to credit risk and the IRB approach were still used in equal measure for the period ended December 31, 2008. The change is a result of the so-called "inheritance doctrine" used by DZ BANK and according to which entities of the DZ BANK banking group must always recognize their investor securitization exposures in line with the IRBA if an IRBA rating procedure is available for these exposures within the banking group and has been approved by the regulator. The Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin) has approved the use of the inheritance doctrine.

BREAKDOWN OF CDO PRODUCT CATEGORY
BY PORTFOLIO INSTRUMENT

€ million

Produkt categories	Fair value
ABS of ABS	87
Commercial real estate	295
Corporates (including bank bonds and loans)	1,568
Total	**1,949**

Figure 25

BREAKDOWN OF SUBPRIME PORTFOLIO
BY ORIGINAL YEAR OF ISSUE

€ million

Year of origin	Fair value
Prior to 2005	211
2005	483
2006	657
2007	267
Total	**1,618**

Figure 26

VOLUME OF ASSETS INSURED BY MONOLINERS

€ million

Monoliners' rating[1]	Volume of assets
AA or better	129
A	–
Worse than A	686
Total	**815**

1 Monoliners or monoline insurers are companies that insure securities against the risk of default

Figure 27

TOTAL AMOUNT AND CAPITAL REQUIREMENTS FOR RETAINED OR PURCHASED SECURITIZATION EXPOSURES BROKEN DOWN BY RISK-WEIGHTING BAND

(Disclosure pursuant to section 334 (2) number 4 SolvV)

Table 9g and 9i (I) (see Figure 29): shows the securitization exposures in the banking book, broken down by regulatory risk-weighting band, and the relevant capital requirements.

TABLE 9F: RETAINED AND PURCHASED SECURITIZATION EXPOSURES

€ million **Securitization exposures**	**Exposures under Standardized Approach to credit risk**	**Exposures under IRB approach**
Exposures reported on the balance sheet		
Receivables from home loans	–	8,284
Receivables from wholly or partially commercial real-estate loans	–	1,729
Receivables from corporate credits	3	1,166
Receivables from the Bank's own and purchased leased assets	–	256
Receivables from vehicle finance (excluding leases)	–	154
Receivables from other retail business	–	296
Receivables from CDOs and ABSs	–	665
Credit enhancements	62	1,788
Other exposures reported on the balance sheet	–	–
Total exposures reported on the balance sheet	65	14,338
Exposures not reported on the balance sheet		
Liquidity facilities	–	2,419
Derivatives	19	94
Exposures specific to synthetic transactions	–	–
Other exposures not reported on the balance sheet	–	1
Total exposures not reported on the balance sheet	19	2,514
Sum total	**84**	**16,852**

Figure 28

TABLE 9G AND 9I (I): TOTAL AMOUNTS AND CAPITAL REQUIREMENTS OF RETAINED AND PURCHASED SECURITIZATION EXPOSURES BROKEN DOWN BY RISK-WEIGHTING BAND

€ million **Risk-weighting bands**	**Exposures**	**Capital requirements under Standardized Approach to credit risk**	**Capital requirements under IRB approach**
≤ 10 %	7,842	–	49
> 10 % ≤ 20 %	4,959	–	64
> 20 % ≤ 50 %	1,210	–	33
> 50 % ≤ 100 %	1,630	–	100
> 100 % ≤ 650 %	444	–	177
> 650 % ≤ 1,250 % / capital deduction	851	62	789
Total	**16,936**	**62**	**1,212**

Figure 29

4.8. LEVERAGED FINANCE

(Disclosure pursuant to FSF recommendations)

Of all the companies in the DZ BANK banking group, only DZ BANK engages in leveraged finance on a significant scale. DZ BANK classifies mergers & acquisitions and related types of financing that involve an above-average level of gearing ("leverage") as leveraged finance transactions. These primarily include acquisition finance, especially for affiliated companies whose credit ratings essentially depend on the cash flows expected to be generated by the acquired companies:

– leveraged buyouts by financial sponsors
– recapitalization and refinancing of acquisitions
– management buyouts and management buyins.

DZ BANK also arranges and underwrites this type of acquisition finance.

The portfolio presented in Figures 30 and 31 reflects the gross lending volume of leverage finance transactions, which is based on carrying amounts and does not include credit risk mitigation techniques or value adjustments. The loan commitments granted by DZ BANK in this business segment totaled €1.7 billion on June 30, 2009. Of this total, loans amounting to €1.4 billion had already been utilized and outstanding loan commitments amounted to €239 million. The leveraged finance portfolio was hedged by credit derivatives and guarantees worth €103 million at the reporting date. The exposures in the portfolio reveal a broad sectoral diversification, and 79 percent of them related to companies based in the European Union at the reporting date. Impairment losses of €63 million were recognized on the portfolio over the first six months of the year.

SECTORAL COMPOSITION OF THE LEVERAGED FINANCE PORTFOLIO BROKEN DOWN BY INDUSTRY OF UNDERLYING ASSET

€ million **Asset classes**	Chemical industry	Engineering industry	Automotive industry	Services	Electronics	Transport	Other sectors	**Total**
Exposures reported on the balance sheet	454	148	132	128	84	95	405	1,446
Exposures not reported on the balance sheet	16	55	21	20	55	8	64	239
Total	470	203	153	148	139	103	469	1,685

Figure 30

GEOGRAPHICAL COMPOSITION OF THE LEVERAGED FINANCE PORTFOLIO BROKEN DOWN BY COUNTRY OF UNDERLYING ASSET

€ million **Asset classes**	Germany	Netherlands	Rest of EU	United States	Other countries	**Total**
Exposures reported on the balance sheet	411	381	341	193	120	1,446
Exposures not reported on the balance sheet	122	13	56	45	3	239
Total	533	394	397	238	123	1,685

Figure 31

5. RISKS ATTACHING TO INVESTMENTS HELD IN THE BANKING BOOK

(Disclosure pursuant to section 332 SolvV)

Notes on the regulatory disclosure of equity risks

The equity risk of exposures disclosed in Table 13b and 13c distinguishes the carrying amounts under the German Commercial Code from the current market value of these exposures. The recognition of unrealized gains and losses from investment exposures in the DZ BANK banking group's equity is shown in Table 13d and 13e.

The regulatory report on investments held in the banking book covers conventional investments as well as securities, derivatives of investment exposures and investment funds that are not recognized under the transparency method. The DZ BANK banking group recognizes the investment funds held in its banking book under the transparency method and breaks them down into the primary asset classes of the individual investment fund components. The disclosure of these exposures is not included in the equity risk tables, but is listed in the Standardized Approach to credit risk and IRBA tables. The equity exposures in the investment

TABLE 13B AND 13C: MEASUREMENT OF EQUITY INSTRUMENTS

€ million Categories of equity instruments		Carrying amount	Fair value	Market value
Investments in banks		**85**	**85**	
of which:	exchange-traded	41	41	41
	not exchange-traded but part of a diversified investment portfolio	43	43	
	other	1	1	
Investments in finance companies		**32**	**32**	
of which:	exchange-traded	–	–	–
	not exchange-traded but part of a diversified investment portfolio	1	1	
	other	31	31	
Investments in insurance companies		**1,777**	**1,777**	
of which: exchange-traded		4	4	4
	not exchange-traded but part of a diversified investment portfolio	1,773	1,773	
	other	–	–	
Investment funds held as investments in the banking book		**87**	**85**	
of which: exchange-traded		6	6	6
	not exchange-traded but part of a diversified investment portfolio	80	78	
	other	1	1	
Investments in corporates		**309**	**303**	
of which:	exchange-traded	47	47	47
	not exchange-traded but part of a diversified investment portfolio	186	180	
	other	76	76	
Total		**2,290**	**2,282**	

Figure 32

TABLE 13D AND 13E: REALIZED AND UNREALIZED GAINS AND LOSSES ON EQUITY INSTRUMENTS UNDER IFRS ACCOUNTING STANDARDS

€ million	Unrealized gains and losses on equity instruments		
Realized gains and losses from sales and processing	**Total amount**	**Of which: amounts recognized in Tier 1 capital**	**Of which: amounts recognized in Tier 2 capital**
-12	-8	–	–

Figure 33

funds are classified with a risk weighting of 100 percent under the Standardized Approach (Table 5b (I)) and fall into the "investment exposure" asset class under the IRBA (Table 6d (I)).

Table 13b and 13c (see Figure 32) presents the investment amounts in the banking book that are risk-weighted and, consequently, are not fully or proportionately consolidated or are subject to a capital deduction. These are broken down by groups of equity instruments and various carrying amounts. The classification of investments is based on the financial nature of the equity instrument concerned. The carrying amount corresponds to the book value determined under HGB accounting standards. Traded investments are defined as equity instruments that are listed on a stock exchange. The market value is defined as the cash settlement price of the investment at the reporting date.

Table 13d and 13e (see Figure 33) shows the realized and unrealized gains and losses arising from the investments held in the banking book during the reporting period in accordance with IFRS accounting standards. The table only includes investments that are risk-weighted and, consequently, are not fully or proportionately consolidated or are subject to a capital deduction. The table also discloses those unrealized gains and losses that were included in the Group's regulatory capital.

The contents of **Table 13f:** "Equity instruments with their capital requirements" are shown in Table 2b to 2e. Consequently, no separate disclosure is provided.

6. MARKET RISK

(Disclosure pursuant to section 330 (1) and section 333 (2) SolvV)

The information disclosed pursuant to section 330 SolvV (Table 10b on capital requirements for market risk under the standardized method) is contained in Table 3b to 3e and is presented in aggregated form.

DZ BANK calculates the interest-rate exposure in the banking book for the banking group as the value at risk, for the purposes of internal market risk management. For this reason, the disclosure does not follow the format of **Table 14b** on the use cases, but is given as a single risk figure. This meets the requirements of section 333 (2) SolvV, which states that the interest-rate exposure must be disclosed under the method used by the company's management to measure risk. The interest-rate exposure in the banking book of the DZ BANK banking group amounted to €13 million on June 30, 2009. This figure was reported to the Board of Managing Directors.

LIST OF FIGURES

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This half-year regulatory risk report is also available in German.
The German version is the original and authoritative version.

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